Countryside Home Plan Update

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I. Introduction

In 1998 and 1999, Countryside Home conducted a comprehensive planning and market analysis process to assist in determining its future direction and facility needs. In 2000, an architectural assessment and design plan were developed for Countryside.

As part of the process to collect information prior to a decision on whether to authorize financing for capital additions at the facility, Countryside retained Keefe & Associates, Inc. (K&A) in 2001 to update and analyze selected data and issues. In short, Countryside requested K&A to review proposed plans and identified issues and assess their reasonableness given the changes occurring in today's long term care markets. K&A's analysis, consistent with the request by Countryside, is limited in scope.

This Executive Summary provides the highlights of the review and analysis conducted by K&A. Specifically, the issues addresses in this summary include:

- An overview of the driving forces of change;
- A target population trend analysis;
- An updated demographic analysis;
- An updated county-wide skilled nursing home bed need analysis;
- A DD facility analysis, and
- A facility staffing analysis.

II. Driving Forces of Change

In the last three decades, change has been a constant force in the long-term care industry. However, in recent years, both the rapid rate of change and the fundamental revisions incorporated in those changes, have been unlike anything in the previous 30 years.

Even since Countryside's study was initiated in 1998, there have been rapidly evolving and significant experienced among nursing homes in Wisconsin including Jefferson County. Among those changes have been:

- Updated **Census 2000 data** are available;
- **Slow growth is projected** in the core target population of persons 75+ in Jefferson County;
- **Statewide nursing home bed usage** continues to decline;
- **Medicaid reimbursement** for nursing homes continues to be tightened;
- The **Intergovernmental Transfer (IGT) Program** appears to be limited, and likely to be terminated in 2004, creating an immense chasm in Medicaid funding;
- A **staffing shortage**, especially direct nursing caregivers, exists and is likely to become worse;
- **Competitors** and other long-term care providers continue to respond to the market place;
- Funding for **COP and CIP slots** continues to increase statewide—albeit more slowly than need might suggest, increasing options for elderly, developmentally disabled, and the chronically mentally ill;
- A new form of licensed assisted living—the **residential care apartment complex (RCAC)—has steadily developed** after its initial authorization in 1997;
- Both **RCACs and CBRFs** (community-based residential facilities) continue to care for persons who are increasingly frail and dependent; and
- The U.S. Supreme Court issues its **Olmstead decision,** in which persons are ruled to have a right to live in the community instead of an "institution" (which in Wisconsin appears to include nursing homes).

The combination of these driving forces of change is such that traditional assumptions about nursing homes are subject to increased scrutiny, and new directions are becoming more the trend than the exception.

III. Target Population and Trends Analysis

The August 1998 Countryside study identified seven potential service categories for the facilities:

- Short-Term Stay;
- Gero-Psychiatric Care;
- Skilled Nursing Care-Intensive/Complex
- Skilled Nursing Care-Intermediate;
- Hospice Care;
- Alzheimer's-Early to Moderate Stages, and
- Alzheimer's-Moderate to Severe Stages.

The following table summarizes recommendations of the 1998 study, with recommended bed size of units for each target population, plus integrates the payor sources and reimbursement prognosis for each potential service:

Proposed Service Categories For Countryside, With Payor Source

Service	# Beds	Primary Payors			Payor Prognosis
		MA	Medicare	Pr. Pay	
Short-Term Stay	20		X		Positive
Gero-Psychiatric	25	X		X	Marginal*
SNF-Intensive/ Complex	40	X		X	Negative*
SNF-Intermediate	25	X		X	Negative*
Hospice Care	5	X		X	Marginal*
Alzheimer's-Early-Moderate	40	X		X	Less Marginal*
Alzheimer's-Moderate-Severe	45	X		X	Less Marginal*
Total Beds =	200	*** Indicates prognosis would be improved to extent private pay mix is enhanced. Of services, private pay increases most probable for Alzheimer's and hospice care.**			

Based on the updated information since the completion of the 1998 study, some of the service categories remain appropriate and some may need modifications due to new forces of change. As a result, the proposed estimate for bed need for some of the services may need to be re-visited and adjusted.

The services, along with comments, which have continuing market potential include:

- **Short-term stay—**Medicare post-hospital discharges, small growth potential, good reimbursement source, limited market size.
- **Gero-Psychiatric—**Small potential niche, consistent with county home mission, good resource for other area nursing homes, primarily Medicaid reimbursement but some potential for private pay, nursing home market diminished by continuing growth of community care capabilities.
- **Hospice—**A very limited niche, with market divided between facility-based and home-based options; complicated by combined Medicaid/Medicare reimbursement and potentially conflicting care values of nursing home and hospice.
- **Alzheimer's-Moderate to Severe—(See discussion below)** Strong potential market with probable growth over next decade, very consistent with county home mission, offers strong potential for attraction of private pay market if able to provide state-of-the-art setting with well-trained staff in dedicated units.

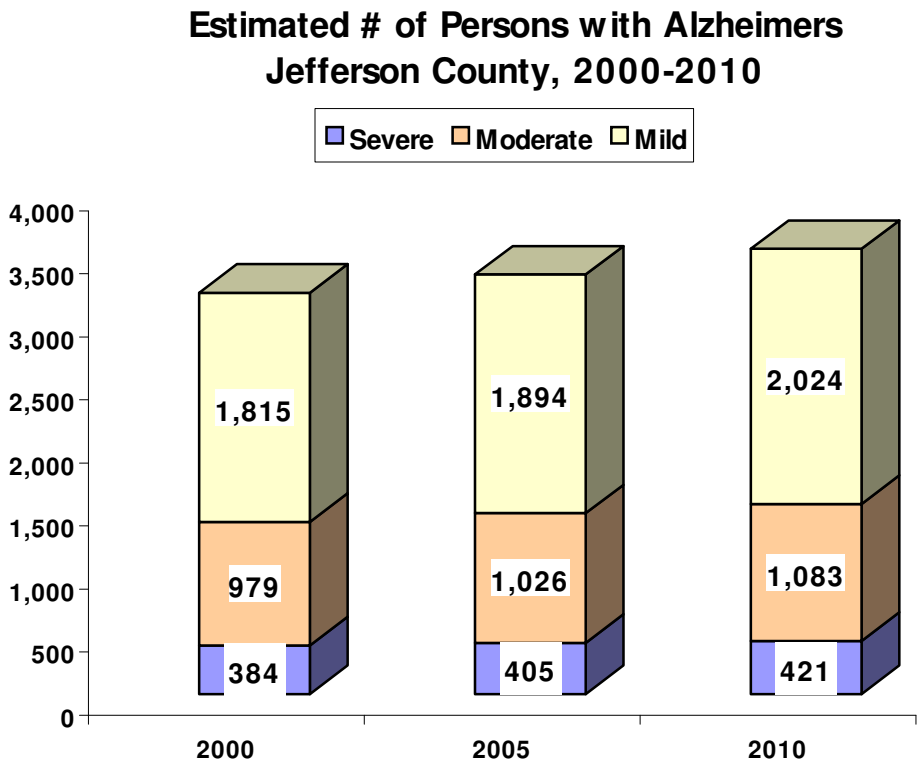
The **Alzheimer's—Early to Moderate** is a service which is likely to have less market potential than originally estimated in 1998, due to two factors. First, since opening a dedicated special care unit for dementia in 2000, Countryside's admissions to the unit have been primarily moderate-severe stage residents. The early-moderate stage residents are being cared for in their homes and other community-based settings, and not seeking nursing home admission until their condition reaches the more advanced stage.

This development is consistent with general trends toward increased community-based options throughout Wisconsin. In the near term, the potential for this service in the nursing home appears to be limited, especially without a dedicated, state-of-the-art units with trained staff and excellent programming. Over time, this market might be developed. A more common strategy among private facilities is to develop a continuum of care, with an on-campus CBRF dedicated to the care of those in the moderate stages of dementia. Those with early stage dementia are most likely to continue to be primarily cared for in their homes.

K&A estimated the number of persons in Jefferson County with Alzheimer's disease only not living in nursing homes, based upon the incidence rates of a Harvard Medical School study in East Boston, Mass. The study is useful because it provides incidence rates **by disease stage,** and is population-based.

By applying the incidence rates, by age cohort, for each disease stage to the estimated Jefferson County population by age group, it is possible not only to estimate the current numbers with Alzheimer's, but also project the numbers.

The following graph shows the estimates for severe, moderate, and mild (early) stage Alzheimer's for Jefferson County for 2000, 2005, and 2010:



The graph indicates:

- Those with **severe Alzheimer's**—those most likely to need nursing home care—is projected to grow almost 10% from 2000 to 2010, or from 384 to 421 persons.

- Those with **moderate Alzheimer's**—some of whom will possibly need nursing home care—are projected to grow almost 11% from 2000 to 2010, or from 979 to 1,083 persons.

- Those with **mild Alzheimer's** make up the largest category, most of whom are likely to be cared for in their homes or in the community, not in nursing homes. They are projected to grow from 1,815 in 2000 to 2,024 in 2010—an increase of slightly more than 11%.

The **SNF-Intensive/Complex and SNF-Intermediate** services likewise have been impacted by changes since 1998. The changes suggest a

need to view these services—which are primarily funded by Medicaid—from a different perspective. The phase-in, effective July 1, 2001, of a prospective payment system (PPS) for Medicaid prompts the need for a potential revision.

PPS will change Medicaid reimbursement from a cost-based system focusing on four levels of care to a prospectively set, case mix system. One expected consequence is a reduction of reimbursement for those residents who have a high degree of behavioral conditions without significant nursing needs. Persons with behavioral conditions traditionally have been a part of the county nursing home mission.

With PPS-Medicaid, the distinctions of intensive/complex and intermediate will be less relevant, because reimbursement is planned to be driven by 44 payment categories, plus categories for DD residents. In addition, the lower care SNF-intermediate category of residents has diminished considerably in the last decade, and is likely to continue decreasing in the future.

In place of these **SNF-Intensive/Complex and SNF-Intermediate** service categories, three other categories are suggested:

- **Medicaid/private pay traditional geriatric** (primarily nursing needs at the skilled/intensive levels)**,**
- **Medicaid/private pay behavioral** (other than dementia)**,** and
- **Medicaid/private pay dual conditions** (both nursing and behavioral conditions).

K&A recommends that Countryside give priority to caring for those residents with behavioral and dual conditions. The traditional geriatric residents needing primarily nursing care can be admitted on an optional basis, allowing for increased downsizing and shifting of this service to the other community nursing homes which—like Countryside--currently have excess capacity.

IV. Updated Demographic Analysis

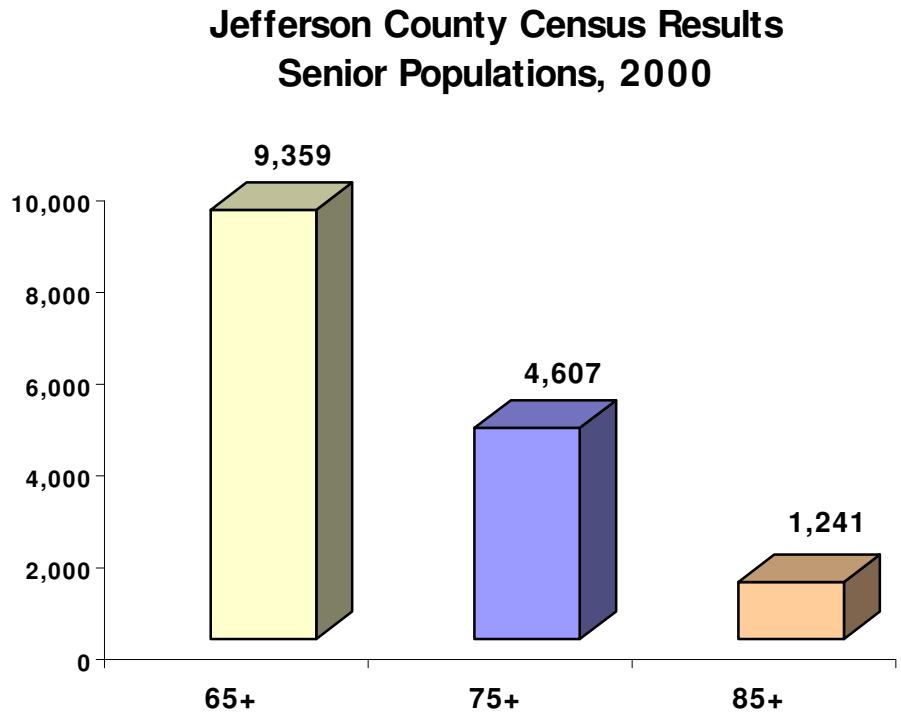
In assessing demographic data for nursing homes and other long-term care services, over-estimates can occur for a variety of reasons, among them:

- The focus of the geographic area is too broad;
- The time periods assessed (historically or projected in the future) are too long and inflate the rate of changes;
- The age cohorts assessed are too broad, including persons not likely to be in the core target population.

In the following assessment by K&A, it is assumed a more conservative and realistic perspective is preferred by Countryside and Jefferson County. The following parameters were used in the assessment:

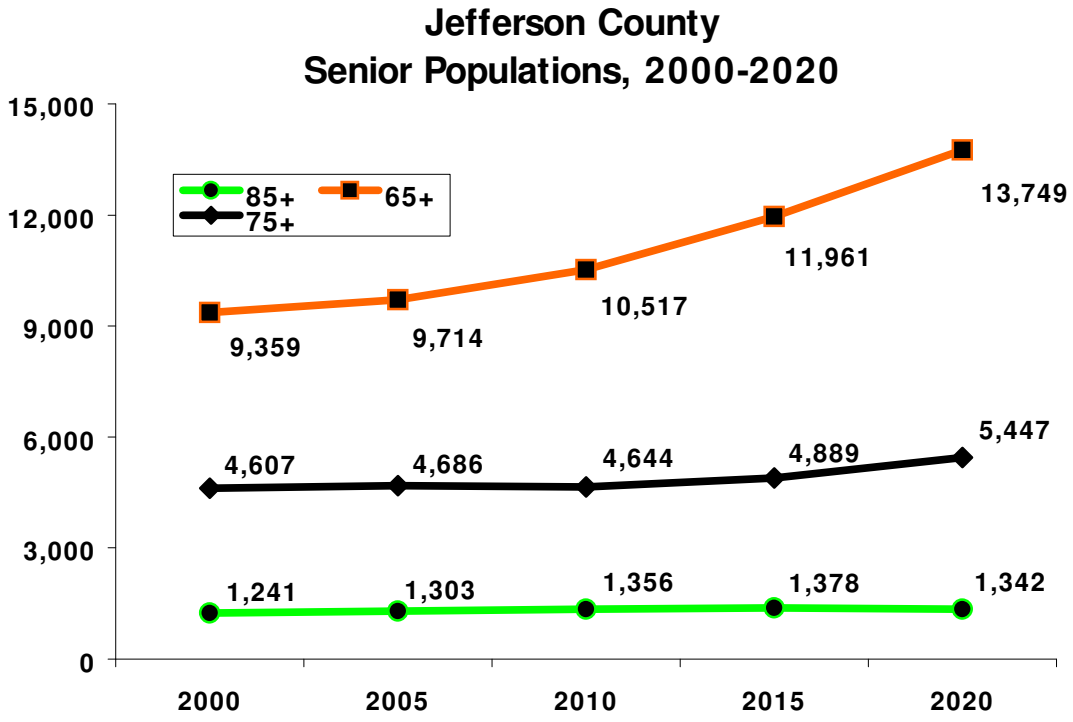
- The geographic focus is on Jefferson County;
- The time period assessed is for the next 5-20 years; and
- The age cohorts considered more relevant to Countryside's target population are the elderly 75+ and 85+. (Relatively few persons in the 65-74 age cohort use the services of nursing homes or assisted living options in Wisconsin.)

The following graph shows the number of persons 65+, 75+, and 85+, based on the recently released Census 2000 for Jefferson County.



The core target population most likely to use Countryside are those 75+, estimated in the Census 2000 as 4,607 persons in Jefferson County, including 1,241 persons who were 85+.

The following graph shows the projected trends of the 65+, 75+, and 85+ age groups from 2000-2020 for Jefferson County, based on the Census 2000 and projected using state estimates for increases.



The projections indicate:

- For the key 75+ population, **there is essentially no growth for the next decade.**
- **The 75+ population is estimated to increase slightly by 79 persons between 2000-2005, and then <u>decrease</u> by 42 between 2005-2010,** for an overall net increase during the decade of only 37 persons, or an increase of less than 4 persons per year**.**
- The elderly population "boom," as it relates to those likely to need and use nursing homes, in reality does not occur until after 2018 when the "baby boomers" start turning 75. In two decades, after 2020, the nursing home population "boom" will begin to be evident.

V. Updated Facility SNF Bed Need Analysis

K&A updated the estimate of the bed need for the SNF licensed portion of Countryside, using two methodologies--the latest available statewide nursing home use rates in conjunction with Census 2000 data and the actual average daily census of Jefferson County nursing homes in 2000.

The statewide nursing home use rates, for all age groups, have decreased from 25-63% from 1984-1999. (See graph in Appendix A at the end of this report.) K&A projected the use rates through 2005, and assumed a flat trend from 2005-2020 to estimate the nursing home bed need for Jefferson County as well as a continuation of the 429 licensed beds in the four nursing homes in the county (excluding ICF/MR facilities).

Based on the analysis, Jefferson County had a total bed need of 502 in 2000, which is 73 more than the 429 licensed beds available. In other words, assuming Jefferson County seniors use nursing homes at the same rate as the rest of the state, nursing homes in the county should have been operating at full capacity in 2000. By 2010, it was projected Jefferson County would have a bed excess of 82. The bed excess would decrease slightly to 45 by 2020.

A comparison of the actual average daily census (ADC) in 2000 at the four nursing homes in the county indicates a significantly lower usage. In reality, the homes did not operate at full capacity. The homes had an ADC of 322, or only 75% of its licensed capacity of 429.

At this level, the homes had an average of 107 empty beds on any given day. (The lower usage is explained in part by the nursing homes in Watertown and Whitewater who admit residents from Jefferson County, even though they are located outside of the county.)

Based on the analysis, K&A concludes that:

- **Jefferson County has more nursing home beds than it needs now and the level of empty beds is likely to continue to increase at least for the next decade.**
- **Countryside should downsize its current licensed bed capacity of 213 by at least 60 and up to approximately 80 beds.**

VI. DD Facility Analysis

In addition to the bed need analysis of the skilled nursing capacity at Countryside, K&A was requested to assess the ICF/MR, or

developmentally disabled (DD) unit, which is separately licensed for 32 beds (in addition to the 213 in the SNF).

K&A was requested to review 1) current trends of the DD population in general, 2) the capacity of the community to care for DD residents, and 3) the extent of the need for an ICF/MR at Countryside.

Countryside's ICF/MR currently is operating at or near full capacity, which reflects the traditionally high occupancy rate it has maintained in recent years. The DD unit is located in Building 2, an older facility (built in 1953) which operates with several physical plant code waivers, which affect resident care and programming.

Regarding **current trends for the DD population,** state, federal, and county policies encourage placement in the community whenever appropriate and possible. For two decades, the community capacity to care for DDs has been developed and increased, resulting in fewer persons with DD living in nursing homes. This trend is expected to continue, especially in light of the 1999 Olmstead decision by the U.S. Supreme Court.

Regarding the **current capacity of the community** to care for persons with DD, Jefferson County is unusual if not unique in Wisconsin. In addition to the 32 ICF/MR beds at Countryside, Jefferson County also has a wealth of both resident and community services for the DD population. The residential options include:

- **Bethesda Clara Werner—**An ICF/MR in Watertown licensed for 40 beds;
- **Bethesda Dieker/Olson—**An ICF/MR in Watertown licensed for 263 beds but with state approval to downsize 50 beds by September 2002;
- **St. Coletta Alverno Cottage—**An ICF/MR in Jefferson licensed for 76 beds.

In addition, Jefferson County has significant public and private community service capabilities through the County Dept. of Human Services as well as Opportunities, Inc. of Fort Atkinson. Opportunities, Inc. is a not-for-profit organization with an extensive and still expanding range of work and support service options for the DD population and others.

Both Bethesda and St. Coletta in recent years have devoted considerable resources to developing community-based housing and support services, much of it outside of Jefferson County. In the process, they have shifted the focus of new initiatives to serving those with DD in the community, in

addition to the traditional residential services they have provided for decades on their current campuses.

Opportunities, Inc. already has an extensive contractual relationship with Jefferson County Human Services Dept. Although both Bethesda and St. Coletta currently have limited contractual relationships with the county, interviews with both organizations indicated a willingness to expand their county relationships on a long-term and financially viable basis.

Based on the analysis, K&A concludes that:

- **Jefferson County has extensive residential and community-based resources to care for persons with developmental disabilities, through Opportunities, Inc. of Fort Atkinson, Bethesda at Watertown, and St. Coletta at Jefferson.**
- **All three providers have a capability and willingness to work with the County to serve the DD population in either a community-based or ICF/MR setting, whichever is most appropriate.**
- **The County Human Services Dept. has already developed a significant relationship with Opportunities, Inc., and is willing to expand its relationships with Bethesda and St. Coletta.**
- **Jefferson County has public/private resources to care for Countryside's ICF/MR residents in alternative settings.**
- **Countryside, the Human Services Dept., and Jefferson County should develop a 3-year plan, in cooperation with available and interested private partners, to phase down and close the ICF/MR at Countryside, and re-locate as many of the residents as possible to other options in the county.**

It is recognized that any phase-down and re-location plan has an impact on individual ICF/MR residents and their families, as well as employees. A review of the existing ICF/MR population indicated that 15 of the current residents had lived at Countryside for 20 or more years, and only 9 had lived there for less than 5 years. Many also were older, with 14 over 65 including 3 who were 75 or older.

It is recommended that the phase-down plan recognize and minimize to the extent possible any adverse effects of re-location on residents, even if this means extending the period for completing the phase-down.

Given the shortage of staff at Countryside and throughout the long-term industry, current employees at the ICF/MR can help eliminate or at least minimize the current difficulties of recruiting and keeping high quality workers. In Jefferson County in 2000, there were 4.7 potential caregivers 20-64 for every senior 65**+. By 2020, that ratio was projected to decrease by 30% to 3.29 potential caregivers, virtually assuring the county of a chronic shortage of workers.** (See graph in Appendix A for the caregiver ratio and trends for both Jefferson County and Wisconsin from 1990-2020.)

VII. Staffing Considerations

The building plans under consideration will have potential impact on the staffing needs at Countryside. The precise effect they will have will depend on several variables, including 1) the target populations served, 2) the design specifications, 3) the number of beds, 4) the number of units and beds in each of those units, 5) staffing ratios and staffing mix needed, and 6) the number of private rooms and bathrooms included in any re-design.

A computer model to assist Countryside in assessing the various staffing adjustments that may be possible, under different scenarios, will be a useful planning guide.

VIII. Summary of Critical Issues to Address

Based on the analysis of updated information, K&A recommends Countryside and Jefferson County adjust to the changing long-term care market trends and position itself to operate more efficiently and more competitively by considering the following:

1. Mission of Countryside

   Countryside should selectively maintain its traditional mission to serve residents considered "hard-to-care-for", with a special focus on those with dementia and other behavioral conditions who can't be cared for elsewhere in the community. Certain Medicaid-eligible residents with traditional geriatric needs can be an optional target population, recognizing that other nursing homes in Jefferson County also serve this population and have excess capacity.

   In addition, serious consideration should be given to expanding Countryside's mission to serve their target populations in settings other than the nursing home, especially assisted living options for dementia, those with mental illness conditions, and other specialized niches.

2. Target Population/Services

   Countryside should focus on the following target populations, consistent with its traditional mission, the need to develop specialized niches for persons with behavioral needs not met in the community, and minimizing financial losses:

   - Short-term stay/Medicare services;
   - Gero-psychiatric service;
   - Dementia—moderate to severe;
   - Hospice care;
   - Medicaid/private pay behavioral conditions (other than dementia);
   - Medicaid/private pay dual conditions (those with both nursing and behavioral conditions).

3. Response to Market Preferences

   In considering strategic directions for Countryside, it is imperative to respond positively and actively to market preferences and recognize that maintaining the status quo is an invitation to slowly decline. Responding positively and actively will require an up-front capital investment by the county.

   Among the market preferences to be sensitive to are:

- Private rooms, with private baths;
- Dedicated, dementia-specific units, with state-of-the-art design that will be attractive to private pay residents and their families;
- Smaller, more home-like units, with shorter hallways and less institutional scale;
- Ability to separate short-term Medicare residents in rooms, dining, and activity space that will create a positive experience.

4. Appropriate Bed Licensure for SNF

   Countryside and Jefferson County should recognize the continuing decreased use of nursing homes, the current excess capacity in Jefferson County, the continued likelihood of empty beds with the current licensed capacity, and plan for a facility with 133-153 beds after negotiating a phase-down agreement with the state.

5. Community Capacity to Care for DDs

   Recognizing the wealth of community resources in Jefferson County to care for persons with developmental disabilities, Countryside should work with the County Human Services Dept. and other private providers of residential and community-based services to develop a three-year plan to re-locate current residents in Countryside's ICF/MR and close the unit.

6. Staffing Considerations

   Countryside should continue to evaluate opportunities for efficient utilization of staff resources. Throughout the process of decision making on building design, bed capacity, target populations, and related factors, the impact of these and other variables on staffing needs for Countryside should be estimated and given consideration.